

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)
Edison Company, The Cleveland Electric)
Illuminating Company and The Toledo) Case No. 19-361-EL-RDR
Edison Company for an Extension of the)
Distribution Modernization Rider)

DIRECT TESTIMONY OF

OLENGER L. PANNELL

ON BEHALF OF

**OHIO EDISON COMPANY
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
THE TOLEDO EDISON COMPANY**

MARCH 1, 2019

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.**

3 A. My name is Olenger L. Pannell. I am employed by FirstEnergy Service Company as the
4 Assistant Controller – FirstEnergy Utilities for FirstEnergy Corp.’s (“FirstEnergy’s”)
5 electric distribution utilities, which include Ohio Edison Company, The Cleveland Electric
6 Illuminating Company, and The Toledo Edison Company (collectively “the Companies”).
7 My business address is 76 South Main Street, Akron, Ohio 44308.

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
9 **PROFESSIONAL EXPERIENCE.**

10 A. I graduated from the Ohio State University where I received a Bachelor of Science degree
11 in Business Administration. I began my career in the electric industry in January 2001
12 when I joined FirstEnergy Solutions Corp. (“FES”) as a natural gas portfolio manager and
13 structuring desk analyst. Later as part of FES, I served as manager of Supply Planning. In
14 2009 I became Manager of Forecasting at FES supporting the FES Assistant Controller and
15 Planning Director. In this role I was responsible for managing the 5-year financial business
16 plan for the Competitive Energy Services business unit. In 2012 I left FES and joined
17 FirstEnergy Service Company in the IT department as the lead for the Planning and
18 Reporting team supporting the Financial Transformation initiative. This initiative was
19 tasked with identifying and implementing corporate-wide platform systems for budgeting
20 and reporting. In 2017 I was promoted to Director, Business Planning and Performance.
21 In this role I reported to the Vice President of Treasury and had responsibility of
22 maintaining our budgeting and forecasting processes and corporate financial reporting

1 systems and software. I assumed my current role as Assistant Controller – FirstEnergy
2 Utilities in February 2018.

3 **Q. WHAT ARE YOUR CURRENT JOB DUTIES AND AREAS OF**
4 **RESPONSIBILITY?**

5 A. My current responsibilities include preparing and consolidating financial statements;
6 establishing and maintaining internal controls; providing monthly, quarterly and year-end
7 analyses; coordinating or assisting with the budget/planning process; and researching
8 accounting issues for compliance with generally accepted accounting principles.
9 Additionally, my responsibilities include providing the Companies with oversight,
10 accounting support, and proper cost accounting regarding commitment and results.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

12 A. The purpose of my testimony is to support the Companies' request that the Commission
13 extend the Companies' Distribution Modernization Rider ("Rider DMR") at its current
14 amount, and under the same terms and conditions, for a two-year period. My testimony
15 addresses the following topics:

- 16 • How Rider DMR has supported the Companies' grid modernization efforts, and
- 17 • How the Companies, FirstEnergy and their stakeholders have taken significant
18 measures to proactively strengthen their financial health and improve credit
19 metrics.

20 **RIDER DMR HAS SUPPORTED THE COMPANIES' GRID MODERNIZATION**
21 **EFFORTS**

22 **Q. HOW HAS RIDER DMR SUPPORTED THE COMPANIES' GRID**
23 **MODERNIZATION EFFORTS?**

1 A. Since January 1, 2017, Rider DMR has supported the Companies' efforts to research,
2 analyze and deploy grid modernization. The Companies have made direct grid
3 modernization capital investments of over \$10 million annually in 2017 and 2018. A
4 similar amount is expected to be spent in 2019. These investments include projects such
5 as circuit ties, circuit reconductoring, recloser installations, adaptive relaying, and
6 Supervisory Control and Data Acquisition ("SCADA") devices. These investments benefit
7 our Ohio customers by improving system reliability, facilitating faster service restoration,
8 and providing a platform to better enable the Companies to make future grid modernization
9 investments.

10 **Q. ARE THERE OTHER WAYS IN WHICH RIDER DMR HAS SUPPORTED THE**
11 **COMPANIES' GRID MODERNIZATION EFFORTS?**

12 A. Yes. The Commission directed Staff to review use of Rider DMR funds to ensure they are
13 used, directly or indirectly, in support of grid modernization.¹ Indirect support of grid
14 modernization may include lowering the costs of borrowing funds, reducing outstanding
15 pension obligations, reducing debt, and taking other steps to reduce the long-term costs of
16 accessing capital.² In 2017, the Companies reduced their outstanding debt by \$108 million,
17 \$85 million of which supported grid modernization. In 2018, the Companies' debt was
18 reduced by \$30 million in support of grid modernization. In 2018, the Companies and
19 FirstEnergy also directly contributed \$57 million to the pension plan for the Companies'
20 employees and an additional \$773 million to the pension plan for shared service employees,
21 including employees who support the Companies. The majority of shared service

¹ Case No. 14-1297-EL-SSO, Fifth Entry on Rehearing, ¶ 282.

² *Id.*

1 employees are located in Ohio and contribute to the Ohio economy. In early 2019, the
2 Companies and FirstEnergy contributed another \$45 million and \$435 million to the
3 pension plan for the Companies' employees and shared service employees, respectively.
4 These reductions in debt and pension obligations all have positive impacts on FirstEnergy's
5 and the Companies' financial condition. These debt reductions and pension contributions,
6 combined with the capital investments to modernize the distribution system discussed
7 above, are well in excess of Rider DMR revenues. These actions put the Companies in a
8 better position to move forward with grid modernization.

9 **THE COMPANIES, FIRSTENERGY AND THEIR STAKEHOLDERS HAVE TAKEN**
10 **SIGNIFICANT MEASURES TO ADDRESS FINANCIAL ISSUES**

11 **Q. ASIDE FROM RIDER DMR, HAVE FIRSTENERGY AND THE COMPANIES**
12 **TAKEN OTHER ACTIONS TO ADDRESS THEIR FINANCIAL ISSUES?**

13 A. Yes. FirstEnergy, the Companies and other stakeholders have taken other significant
14 measures to address financial issues, both prior to and since the implementation of Rider
15 DMR. In 2016 and earlier, FirstEnergy management took aggressive actions, which
16 included staffing reductions, changes to employee benefits, and other cost reductions and
17 efficiencies across FirstEnergy.

18 Since approval of Rider DMR, the Companies, FirstEnergy management,
19 employees, and the Companies' affiliated utilities in other states have continued taking
20 aggressive measures to proactively address financial issues and improve credit metrics.
21 The Companies and other FirstEnergy entities have acted to improve their financial
22 standing and credit metrics by, among other things, implementing an ongoing initiative to
23 align FirstEnergy's cost structure with that of a fully regulated utility company. This

1 initiative identified \$300 million in costs associated with competitive operations that will
2 be eliminated, and \$85 million of incremental cost savings. As part of that initiative, in
3 2018 FirstEnergy implemented a voluntary employee retirement program for
4 approximately 500 employees. Companies' witnesses Staub and Savage discuss other
5 significant measures taken.

6 **CONCLUSION**

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 **A.** Yes. I reserve the right to supplement my testimony.

CERTIFICATE OF SERVICE

I certify that the foregoing was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 1st day of March, 2019. The PUCO's e-filing system will electronically serve notice of the filing of this document on all parties of record.

/s/ James F. Lang

One of the Attorneys for Ohio Edison Company,
The Cleveland Electric Illuminating Company, and
The Toledo Edison Company

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Summary: Testimony of Olenger L. Pannell electronically filed by Mr. James F Lang on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company